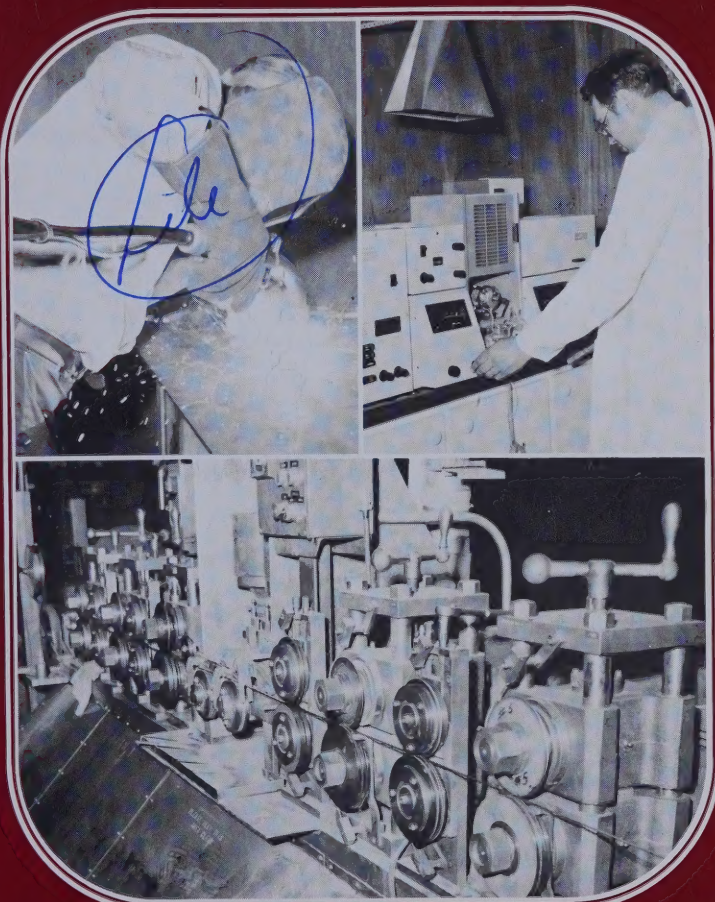


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TELEDYNE CANADA LIMITED ANNUAL REPORT 1980

ON THE COVER

Teledyne Canada Harfac-McKay's welding products are used for hardfacing, joining and cutting. They find applications in; the mining and aggregate industry, the transportation industry, steel fabrication and in alloy casting foundries. Advanced technology facilitates analysis of component raw materials, as well as the finished product to assure that a high standard of quality is maintained.

Highlights from Annual Reports of Teledyne Canada, Limited *for the four years ended December 31, 1980*

Operating Results:

	1980	1979	1978	1977
Revenue	\$43,468,000	\$41,667,000	\$30,088,000	\$28,019,000
Income Before Income Taxes	3,453,000	5,873,000	3,575,000	3,241,000
Provision for Income Taxes	1,490,000	2,618,000	1,625,000	1,418,000
Net Income	1,963,000	3,255,000	1,950,000	1,823,000
Net Income Per Share	0.91	1.51	0.91	0.85

Financial Position:

Total Assets	22,244,000	22,507,000	19,126,000	17,021,000
Shareholders' Equity	16,022,000	15,720,000	13,906,000	13,333,000

General Statistics:

Average number of shares outstanding	2,162,861	2,153,666	2,146,904	2,137,507
Number of employees	520	618	564	518
Number of facilities	15	16	15	14
Square footage of facilities	305,000	316,000	260,000	258,000

Letter to Shareholders:

The Board of Directors is pleased to present the Annual Report of Teledyne Canada, Limited for the year ended December 31, 1980.

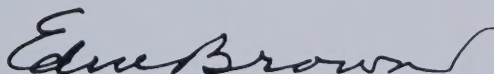
Teledyne Canada had earnings of \$0.91 per share for the year ended December 31, 1980 compared to \$1.51 per share for the year ended December 31, 1979. Net income in 1980 was \$1,963,000 and revenue was \$43,468,000 compared to net income of \$3,255,000 and revenue of \$41,667,000 in 1979.

The Board of Directors has approved a cash dividend of \$0.20 per share for the three month

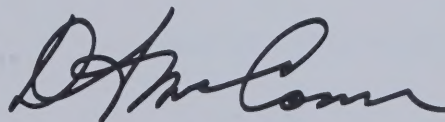
period ended December 31, 1980, payable on March 20, 1981 to shareholders of record February 6, 1981.

In the annual report a year ago we mentioned the Company was undertaking an underground exploration program to determine the economic feasibility of cobalt on leased claims in Ontario. On December 19, 1980 the underground mining exploration program was completed. The results are now being studied to assess the economics of mining the cobalt ore body delineated by the drilling program.

On Behalf of the Board,



E. M. BROWN
Chairman



D. S. McCANN
President

TELEDYNE CANADA, LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets December 31, 1980 and 1979

ASSETS

1980

1979

Current Assets:

Cash	\$ 781,000	\$ 731,000
Short-term investments, at cost which approximates market	100,000	1,917,000
Receivables	5,251,000	5,078,000
Receivable from affiliated companies	396,000	389,000
Inventories	4,881,000	4,292,000
Prepaid expenses	159,000	192,000
Total current assets	<u>11,568,000</u>	<u>12,599,000</u>

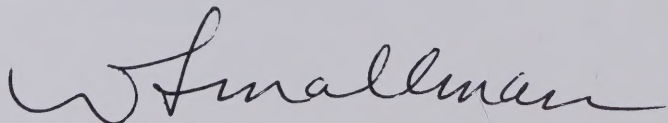
Property and Equipment, at cost:

Land	317,000	317,000
Buildings	3,381,000	3,128,000
Equipment	15,555,000	13,691,000
	<u>19,253,000</u>	<u>17,136,000</u>
Less accumulated depreciation	<u>10,219,000</u>	<u>9,261,000</u>
	<u>9,034,000</u>	<u>7,875,000</u>

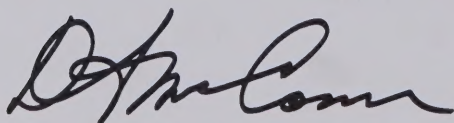
Other Assets:

Cost in excess of net assets of purchased businesses	1,547,000	1,938,000
Other	95,000	95,000
	<u>1,642,000</u>	<u>2,033,000</u>
	<u>\$22,244,000</u>	<u>\$22,507,000</u>

Approved on behalf of the Board:



W. W. Smallman, Director



D. S. McCann, President

LIABILITIES AND SHAREHOLDERS' EQUITY

	1980	1979
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 4,199,000	\$ 4,042,000
Payable to affiliated companies	218,000	223,000
Accrued income taxes	345,000	1,141,000
Current portion of long-term debt	48,000	52,000
Total current liabilities	<u>4,810,000</u>	<u>5,458,000</u>
 Long-Term Debt (Note 2)	 131,000	 172,000
 Deferred Income Taxes	 1,281,000	 1,157,000
 Shareholders' Equity:		
Capital stock, no par value, 5,000,000 shares authorized, 2,164,296 shares issued and outstanding in 1980 and 2,156,954 shares in 1979 (Note 3)	4,554,000	4,486,000
Contributed surplus	86,000	86,000
Retained earnings	11,382,000	11,148,000
Total shareholders' equity	<u>16,022,000</u>	<u>15,720,000</u>
	<u>\$22,244,000</u>	<u>\$22,507,000</u>

The accompanying notes are an integral part of these balance sheets.

AUDITORS' REPORT

To the Shareholders of Teledyne Canada, Limited:

We have examined the consolidated balance sheets of TELEDYNE CANADA, LIMITED (an Ontario corporation and subsidiary of Teledyne, Inc.) AND SUBSIDIARIES as of December 31, 1980 and 1979, and the related consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial

statements present fairly the financial position of Teledyne Canada, Limited and Subsidiaries as of December 31, 1980 and 1979, and the results of their operations and the changes in their financial position for the years then ended in accordance with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO.
Chartered Accountants

Toronto, Ontario,
January 12, 1981.

TELEDYNE CANADA, LIMITED AND SUBSIDIARIES

Consolidated Statements of Income For the Years Ended December 31, 1980 and 1979

	1980	1979
Revenue (Note 5)	\$43,468,000	\$41,667,000
Costs and Expenses:		
Operating costs	35,359,000	32,605,000
Selling and administrative expenses	4,695,000	3,466,000
Interest on long-term debt	20,000	12,000
Interest income	(59,000)	(289,000)
	40,015,000	35,794,000
Income before Income Taxes	3,453,000	5,873,000
Provision for Income Taxes	1,490,000	2,618,000
Net Income	\$ 1,963,000	\$ 3,255,000
Average Number of Shares Outstanding	2,162,861	2,153,666
Net Income Per Share	\$0.91	\$1.51

Consolidated Statements of Retained Earnings For the Years Ended December 31, 1980 and 1979

	1980	1979
Balance , Beginning of Year	\$11,148,000	\$ 9,400,000
Add (Deduct):		
Net income	1,963,000	3,255,000
Dividends paid — \$0.80 per share in 1980 and \$0.70 in 1979	(1,729,000)	(1,507,000)
Balance , End of Year	\$11,382,000	\$11,148,000

The accompanying notes are an integral part of these statements.

TELEDYNE CANADA, LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Financial Position For the Years Ended December 31, 1980 and 1979

	1980	1979
Working Capital Was Provided by:		
Net income	\$ 1,963,000	\$ 3,255,000
Add (deduct):		
Depreciation and amortization	1,956,000	1,426,000
Write-off of cost in excess of net assets of purchased businesses	382,000	—
Change in deferred income taxes	124,000	307,000
Gain on disposal of property and equipment	(323,000)	(428,000)
Working capital provided from operations	4,102,000	4,560,000
Proceeds on disposal of property and equipment	354,000	542,000
Issuance of capital stock for employees' stock purchase and option plans	68,000	66,000
Increase in long-term debt	—	230,000
	<u>4,524,000</u>	<u>5,398,000</u>
Working Capital Was Applied to:		
Purchase of property and equipment	3,137,000	3,535,000
Payment of dividends	1,729,000	1,507,000
Reduction in long-term debt	41,000	58,000
	<u>4,907,000</u>	<u>5,100,000</u>
Increase (decrease) in working capital	<u>\$ (383,000)</u>	<u>\$ 298,000</u>
Working Capital Increase (Decrease):		
Cash	\$ 50,000	\$ 516,000
Short-term investments	(1,817,000)	(1,700,000)
Receivables	173,000	1,108,000
Receivable from affiliated companies	7,000	389,000
Inventories	589,000	1,067,000
Prepaid expenses	(33,000)	6,000
Accounts payable and accrued liabilities	(157,000)	(1,111,000)
Payable to affiliated companies	5,000	(72,000)
Accrued income taxes	796,000	108,000
Current portion of long-term debt	4,000	(13,000)
Increase (decrease) in working capital	<u>\$ (383,000)</u>	<u>\$ 298,000</u>

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES —

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant intercompany transactions and balances have been eliminated.

Inventories. Inventories are stated at the lower of cost (first-in, first-out) or net realizable value. Sales and related costs are recorded as products are delivered and as services are performed. Any foreseeable losses are charged to income when determined.

Depreciation. Transportation equipment is depreciated on a straight-line basis over estimated useful lives of four to five years. Other property and equipment is depreciated on a declining balance basis over the estimated useful lives, generally 40 years for buildings and 10 years for equipment.

Cost in Excess of Purchased Businesses. Cost in excess of net assets of purchased businesses relates to businesses purchased prior to April 1, 1974 and is not being amortized. In 1980, \$382,000 of cost in excess of net assets of purchased businesses, related to a 1977 acquisition, was charged to income since such excess represented no further value to the Company.

Pension Plan. The Company and its subsidiaries have pension plans available to all of their employees. At December 31, 1980, there was no unfunded liability in these pension plans.

Income Taxes. Deferred income taxes are provided for timing differences in the recognition of income and expenses.

NOTE 2. LONG-TERM DEBT —

At December 31, 1980 and 1979, the Company's long-term debt was as follows:

	1980	1979
Conditional sales contracts at 11.25% due 1984 payable in installments, secured by related equipment	\$172,000	\$211,000
7% Mortgage due 1981, secured by related property	7,000	13,000
	<u>179,000</u>	<u>224,000</u>
Less current portion	48,000	52,000
	<u>\$131,000</u>	<u>\$172,000</u>

NOTE 3. CAPITAL STOCK —

At December 31, 1980, 3,669 shares of capital stock were reserved for issuance to employees to fulfill commitments under a stock purchase plan which expired in 1980. Under this plan, 5,342 shares were issued for \$58,000 in 1980 and 6,562 shares were issued for \$61,000 in 1979.

Under an Employees' Stock Option Plan, 20,800 shares were reserved at December 31, 1980 for granting of future options. There are no options outstanding at December 31, 1980. An option to purchase 2,000 shares at \$5.25 per share was exercised in 1980 and an option to purchase 1,000 shares at \$5.25 per share was exercised in 1979.

NOTE 4. LEASE COMMITMENTS —

At December 31, 1980, operating lease commitments for property and equipment aggregated \$214,000, including \$87,000 due in 1981, \$74,000 due in 1982, \$32,000 due in 1983, \$11,000 due in 1984 and \$10,000 due in 1985.

The Company entered into certain capital leases for equipment in 1976 and 1977 that have been treated as operating leases with commitments aggregating \$247,000, including \$211,000 due in 1981, and expiring at various dates through 1982. If these leases

had been treated as capital leases, property and equipment and long-term debt at December 31, 1980 would have increased by \$106,000 and \$36,000 (net of current portion of \$197,000) respectively, and net income would have decreased by \$5,000.

NOTE 5. SEGMENTED INFORMATION —

The Company's business segments are industrial services and metals fabrication. The Company's industrial services segment provides specialized transportation in tank trailers to shippers of petroleum products, acids, chemicals, flour, cement, and other liquid and dry bulk products. This segment also produces rock drill replacement parts, air and hydraulic cylinders, diesel and air-powered mobile vehicles, low pressure blast-hole loaders, ore car equipment and custom-engineered products. This segment manufactures and distributes a complete line of welding wires, welding rods, and related accessories. This segment also provides exploratory drilling and an underground exploration program to determine the economic feasibility of mining.

The metals fabrication segment designs and produces sheet metal stampings, assembles vehicle cabs, fuel tanks, shrouds, and formed parts for off-road and farm equipment, and is engaged in the warehousing of high speed steels, including special purpose tool steels, die steels, stainless steels and high temperature alloys, high strength steels, maraging steels and alloying elements. This segment also produces grey iron and ductile iron castings for farming implements, recreational accessories, and automotive and diesel parts. Impact and wear-resistant tungsten carbide materials are also produced for rock drills, snow plow blades, and cutting tools.

Sales between business segments, which were not material, generally were priced at prevailing market prices. Revenue derived from sales of products and services by operations in Canada to customers in other countries was \$7,047,000 in 1980 and \$5,452,000 in 1979.

The Company's segmented information for the years ended December 31, 1980 and 1979 is as follows:

	1980	1979
Revenue:		
Industrial services	\$22,053,000	\$20,531,000
Metals fabrication	21,415,000	21,136,000
Total	<u>\$43,468,000</u>	<u>\$41,667,000</u>
Income before income taxes:		
Industrial services	\$ 2,254,000	\$ 2,851,000
Metal fabrication	1,927,000	3,503,000
Total operating profit	4,181,000	6,354,000
Corporate expenses	767,000	758,000
Interest expense	20,000	12,000
Interest income	(59,000)	(289,000)
Total	<u>\$ 3,453,000</u>	<u>\$ 5,873,000</u>
Depreciation and amortization expense:		
Industrial services	\$ 1,446,000	\$ 1,082,000
Metals fabrication	505,000	340,000
General corporate	5,000	4,000
Total	<u>\$ 1,956,000</u>	<u>\$ 1,426,000</u>

Identifiable assets:

	1980	1979
Industrial services	\$11,709,000	\$10,229,000
Metals fabrication	9,636,000	9,566,000
General corporate	899,000	2,712,000
Total	<u>\$22,244,000</u>	<u>\$22,507,000</u>

Capital expenditures:

Industrial services	\$ 2,263,000	\$ 2,232,000
Metals fabrication	866,000	1,296,000
General corporate	8,000	7,000
Total	<u>\$ 3,137,000</u>	<u>\$ 3,535,000</u>

NOTE 6. STATUTORY INFORMATION —

Remuneration of directors and senior officers as defined under The Business Corporations Act of Ontario amounted to \$332,000 in 1980 and \$366,000 in 1979.

NOTE 7. SUBSEQUENT EVENT —

On January 12, 1981, the Board of Directors declared a cash dividend of \$0.20 per share, payable March 20, 1981, to shareholders of record on February 6, 1981.

Teledyne Canada provides Canadian industry with specialized products and services from the following divisions:

TELEDYNE CANADA BELL FOUNDRY, Winnipeg, Manitoba.

Products: Ductile iron castings.

TELEDYNE CANADA FIRTH STERLING, Brantford, Ontario.

Products: Sintered tungsten carbide products, including cutting tools.

Tungsten carbide rock bits.

TELEDYNE CANADA HARFAC-McKAY, Toronto, Ontario and Edmonton, Alberta.

Products: Complete line of welding wires and electrodes and related welding equipment.

TELEDYNE CANADA METAL PRODUCTS, Woodstock, Ontario.

Products: Sheet metal fabricated units and complete pneumatic systems for material handling.

TELEDYNE CANADA MINING PRODUCTS, Thornbury and Sudbury, Ontario and Vancouver, British Columbia.

Products: Rock breakers, rock drilling equipment, diesel trucks and special underground mining equipment.

TELEDYNE CANADA TRANSPORT GROUP, Terminals in Ontario and Quebec.

Services: Liquid chemical and dry bulk transport, utilizing a modern fleet of tractors and tank truck trailers with specifications for a variety of operating conditions.

TELEDYNE CANADA VASCAN ALLOYS, Toronto, Ontario.

Products: Tool steels, die steels, stainless steels, wear-resisting steels, high temperature alloys and specialty metals.

BOARD OF DIRECTORS

E. M. BROWN

D. S. McCANN

W. W. SMALLMAN

R. A. EAGLESON, Q.C.

J. B. REGAN

R. C. PINNOCK

OFFICERS

E. M. BROWN, *Chairman*

D. S. McCANN, *President*

W. H. NUTT, *Vice President*

C. E. RINSCH, *Treasurer*

R. C. PINNOCK, *Secretary*

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company

15 King Street West

Toronto, Ontario

CORPORATE OFFICE

15 Brydon Drive

Rexdale, Ontario

